

4.7 Issue Form

Issue Form - BSCP40/04	Issue Number 107 <i>(mandatory by BSCCo)</i>
Issue Title <i>(Mandatory by originator)</i> Review of BSC Section N 'Clearing, Invoicing & Payment'	
Issue Description <i>(Mandatory by originator)</i> <p>Due to BSC Section N 'Clearing, Invoicing & Payment' being written over 20 years ago, it is believed that some sections within it may now be redundant and no longer align with modern ways of working (e.g. invoicing and banking practices). This results in some inefficiencies, unnecessary rules and constraints that prevent opportunities and additional benefits from being sought and realised.</p> <p>BSC Section N defines the rules and governance for the Funds Administration Agent (FAA). The FAA role is critical to the successful operation of the Balancing and Settlement Code (BSC), effecting the transfer of funds between Payment Parties, for trades made in the Balancing Mechanism (BM) and for imbalances between contracted and actual production and consumption i.e. Trading Charges.</p> <p>BSC Section N details payments to and from Elexon Clear (the legal entity established to process these payments) and Payment Parties for Trading Charges and Reconciliation Charges, the arrangements for how these are determined and how Payment Parties are notified of these charges. It details the payment procedures for the FAA and Payment Parties to follow and the obligations to make payments and the consequences of non-payment. It also details the basis on which monies and Credit Cover are held by Elexon Clear.</p> <p>The rules set out in BSC Section N are very specific which restricts the implementation of any changes to processes/systems within it. We believe a review of these arrangements is timely, given they have not been reviewed before and many efficiencies and benefits for BSC Parties could be realised. A review could also enable further enhancements of Elexon's technology landscape to achieve maximum efficiencies and benefit for BSC Parties. A goal of this Issue is to refine the issues with BSC Section N and associated processes rules.</p>	
Justification for Examining Issue <i>(Mandatory by originator)</i> <p>BSC Section N needs to be reviewed to identify sections and associated processes which could potentially be amended and simplified to support the effective running of the BSC to align with modern banking practices and increase the efficiency of the service to the Industry. We believe there are opportunities to improve the efficiency of operations and simplify the arrangements.</p> <p>A key component of the approved Elexon strategy is digitisation. This includes the possibility of replacing/updating the existing FAA systems. It would seem the right time for a review of BSC Section N which could identify potential opportunities that could streamline processes and improve efficiencies at the same time for the benefit of BSC Parties.</p> <p>For example, a potential process area for review is shown below:</p> <p><u>Area for Review: Advice Notes/Confirmation Notices</u></p> <p>Advice Notes detail Trading Charges, Default Charges and/or ad-hoc charges that a party has accrued since its last Advice Note. It also details the date a Party must pay these charges by (the Payment Date) but the Advice Note is not the Party's Tax Invoice.</p> <p>Confirmation Notices are issued to BSC Parties regarding charges paid or received within two Business Days of the Payment Date. The Confirmation Notice legally constitutes a Tax invoice</p>	

Within this process, it is believed that there is unnecessary duplication.

Potential Desired Outcome:

Simplify Advice Note/Invoice process for BSC Parties removing the need for Confirmation Notice procedures and duplication.

Potential Solution(s) (*Optional by originator*)

This Issue would review BSC Section N to identify which areas and associated processes are currently pain points experienced by the Industry. It would identify solutions to address these to improve efficiency and the user experience for these processes.

Any potential areas/solutions identified as part of the BSC Section N review could fall into one or more of the following categories:

1. No impact on Industry – as these are operating processes carried out by FAA – Document only (either the BSC and BSC Procedures (BSCPs) or internal process documents)
2. No Impact on Industry – May impact Elexon system(s)
3. Impact on Industry – No dependency on Elexon system changes
4. Impact on Industry – Dependency on Elexon system changes

Some engagement with Parties for FAA processes has already taken place and some pain points and concerns already collated as a starting point for discussion.

The Issue Group approach would be to:

- Understand pain points already realised and identify additional ones from Industry to capture areas of focus for discussion to meet Industry needs
- Propose solutions to address the pain points and simplify processes where possible
- Propose removing redundant sections of BSC Section N that no longer apply to modern day practices

Prior to the first Issue Group meeting taking place, Elexon plan to issue a survey to collect Industry views to further engage participants to collect their pain points. This will allow us to ensure all views are considered and discussed within the scope of the review.

Once defined solutions to associated issues are determined and agreed the intention is for Elexon to:

- Raise BSC Changes: either BSC Modifications (as Elexon cannot raise Modification, it is likely the BSC Panel would raise any Modifications) and/or Change Proposals as required; and
- Raise any internal changes, not requiring a BSC Change.

We notified the BSC Panel on 13 April 2023 of our intention to raise this Issue. The Panel were supportive, and their feedback will be fed into the review. Where appropriate and possible, the Issue Group should work up any Modifications to negate the need for Modification Workgroup assessment. This will make the best use of industry's time, whilst still ensuring a robust solution development process led by industry and support a more expedient delivery of the changes.

In summary, the questions we'd like the Issue Group to consider (the Terms of Reference) are:

- Review Section N and associated processes to remove redundant or outdated practices, remove unnecessary constraints and enable new opportunities
- What pain points/issues do Payment Parties and Elexon experience?
- What changes should be made to address these issues?
- What should the order/priority of any changes be?

Proposer's Details
<i>Name</i> Ola Dawodu
<i>Organisation</i> Elexon
<i>Email Address</i> Ola.Dawodu@elexon.co.uk
<i>Telephone Number</i> 020 7380 4225
<i>Date</i> 5 May 2023